

Testimony to the House Committee on Energy and Commerce  
Oversight and Investigations Subcommittee

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Mr. Chairman and distinguished members of the Subcommittee. Thank you for the opportunity to present this statement regarding the procurement and property issues at Los Alamos National Laboratory.

There are no excuses for theft, waste, fraud or abuse of government property, whatever the amount and whether by University of California or subcontractor employees. In many talks and written statements to the Laboratory over my 5 years as Director I have stated that integrity must be a key value of our institution. We must be good stewards of the taxpayers' money.

LANL is a large, complex operation with a very important national security mission. On any given day there are 12-14,000 people on site. Our site covers 43 square miles – mesas, canyons connected by hundreds of miles of roads. There are over 2000 buildings, some of which require high physical and cyber security. To carry our programs we perform many hazardous operations – nuclear, high explosives, chemicals, X-ray machines, etc. Our FY03 budget is close to \$2B – roughly one-half of which is spent on purchases.

We have a critical national security mission. Our core mission is to ensure the safety of reliability of the US nuclear weapons. LANL has responsibility for certifying 5 of the 7 different nuclear weapon types in US stockpile. We take this responsibility very seriously and it received my highest attention during the past five years. Our other major mission area is to reduce threat of weapons of mass destruction to our homeland, our troops, and our allies. Since Sept. 11, 2001, we greatly increased our work on counter-terrorism – especially against weapons of mass destruction. For example, we designed and built nuclear detectors that have been deployed in Russian borders and ports; we assisted in the DNA analysis of the anthrax attacks in Washington, New York, and Florida and fielded biological detectors around the country, including the Salt Lake City Olympics.

As Lab Director I was accountable for all the activities of the laboratory and the actions of all the people on our site – good and bad – whether technical, administrative work or operations - a challenging job, but a rewarding job.

### **Procurement Issues**

The possibility of theft at our TA33 site was raised by a contractor employee, Mr. McDonald, who testified here a few weeks ago. Mr. McDonald did the right thing by being persistent when his earlier attempts to report this illegal activity did not result in

action. When I found out about the TA33 theft allegations in late June 2002, I asked Mr. Salgado, my principal deputy, to stay on top of this issue and keep DOE, UC, and me informed on a regular basis. We both felt that Mr. MacDonald's actions were exemplary.

A few weeks later, Mr. Salgado reported that an attempt to purchase a Mustang with a procurement card had been uncovered by our Business Services Division and by our bankcard service provider. This seemed incredulous to me, but in light of the recently reported procurement card abuses in the Department of Defense, we asked Mr. Marquez, my Associate Director for Administration, to conduct a quick scan of other LANL procurement card activities. This quick review turned up several apparent abuses. Based on this information, and after consulting with Dr. John McTague, UC Vice President for Laboratory Management, we decided to conduct an external review that was set up in August under the leadership of two former Inspector Generals, John Layton and Charles Masten, and auditors from PricewaterhouseCoopers.

The Layton et al. review found that, while policies and procedures were in place at LANL, internal controls and oversight needed strengthening. We made significant changes in our procurement card practices in August 2002; more changes have been made recently.

### **Property Inventory Issues**

While LANL has received outstanding grades for its property inventory results since 1999, questions were raised in the press about missing equipment being an indicator of widespread theft at the Laboratory. There are over 70,000 property items at LANL, whose original value is about \$1B. Our inventory system accounted for over 99.7% of these items in each of the last four years. Many items reported in the press, such as large magnets and specialized electronic equipment, were located at the Lab after searches were conducted. These items had been moved from their original site for new uses and the inventory system had not been corrected. There were over 400 computers reported missing in the last four years. We have over 33,000 computers at LANL used for R&D, as well as administrative matters. I agree with our critics that this scale of unaccounted computers is too high and steps have been taken to reduce the chances for theft of such computers. None of the 400 computers was used for classified information.

There presently is a 100% wall-to-wall inventory being conducted at LANL. This should help resolve discrepancies and increase confidence in our inventory methodology which follows best industrial and government practice.

### **Other Management Changes**

LANL has been an organization in transition since the end of the cold war. In response to changing requirements, improvements in safety and security were made in the mid- to late-1990s, including major changes following the hard drive incident that this committee investigated in 2000. All 61,000 classified removable electronic media were bar-coded two years ago and I directed several audits since that time. Our Nuclear Emergency team

was re-organized, under new leadership and with improved procedures. Overall, reports by the DOE Office of Independent Assessments show a positive trend of improvements in safety and security over the past 5 years at LANL.

To make further improvements in operations, UC and LANL brought in external companies two years ago to review our safety and security operations, project management, planning and budgeting systems, and nuclear operations. We began to implement the recommendations of these reviews last year.

Based on my previous experience in information systems, I also brought in an Information Technology (IT) consulting company, Gartner Group, two years ago to recommend changes in our IT systems, which I believed to be insufficient to carry out our responsibilities. We began to implement IT system changes based on their recommendations last year; the IT system was contracted to IBM/Oracle for development. It is designed to provide managers administrative and operational information in a timely manner. My regret is that all the changes did not come fast enough to prevent these present problems.

### **Concluding Remarks**

LANL does not have a culture of theft. I do not think that the facts and data support such a characterization. Yes, we have some people who committed some illegal acts. We have fired some employees, some are under administrative review by LANL, and some are still under FBI investigation. The vast majority of LANL people are dedicated to the service of this nation.

I did not allow or support any cover-up. The DOE IG report did not find evidence of any cover-up by management. I believe that I kept the DOE and the UC informed of the information on these events as it became available to me. I formed internal and external reviews of the situation. I approved changes to LANL controls on procurement cards in August. When anonymous allegations of cover-up appeared in the press in November, I immediately asked Undersecretary Brooks to have the DOE IG investigate.

I wish that these events had not occurred at Los Alamos – but they did. Our employees are human and humans make mistakes, and they should be held accountable for their actions. But I do not believe Los Alamos has a culture of theft – it is a culture of public service.

The University of California has responded aggressively and is making the needed changes. In my opinion, we should learn from these mistakes and move on. LANL's mission has never been more important to our nation.

Thank you for the opportunity to make these remarks.